



Report of the auditor-general to the North West provincial legislature and the council on the Tswaing Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Tswaing Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019, and the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Tswaing Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not correctly calculate depreciation as required by GRAP 17, *Property, plant and equipment* due to errors in the mathematical calculation of depreciation and the use of incorrect residual values. I was unable to quantify the resultant misstatement of the property, plant and equipment of R641 471 279 (2018: R635 861 677) disclosed in note 9 and the depreciation and amortisation of R27 379 383 (2018: R28 259 267) disclosed in note 25 to the financial statements, as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence that all gravel roads had been accounted for, as the municipality did not have adequate systems to identify and record all roads. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustment relating to the road network infrastructure of R238 636 801 (2018: R207 001 771) included in property, plant and equipment disclosed in note 9 to the financial statements, was necessary.

Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for undeposited receipts as the municipality did not have adequate systems to maintain records and support financial information relating to undeposited receipts. I was unable to confirm these undeposited receipts by alternative means. Consequently, I was unable to determine whether any adjustment relating to undeposited receipts of R2 349 401 included in receivables from exchange transactions disclosed in note 3 to the financial statements, was necessary. In

addition, the municipality did not assess and account for impairment on all long outstanding receivables as required by GRAP 104, *Financial instruments*. Consequently, receivables from exchange transactions disclosed in note 2 was overstated and debt impairment expense disclosed in note 28 to the financial statements was understated by R659 249 respectively. Additionally, there was a resultant impact on the deficit for the year and the accumulated surplus.

Receivables from non-exchange transactions

5. The municipality did not disclose the gross balance, a reconciliation of the opening balance for the impairment provision, the current year movement and the amount of receivables past due but not yet impaired for the current and previous periods as required by GRAP 104, *Financial instruments*. The gross receivables balance for property rates that should have been disclosed in note 4 to the financial statements was R62 570 019 (2018: R57 236 465) and the impairment R59 018 456 (2018: R52 223 338).

Trade receivables from exchange transactions

6. The municipality did not ensure that receivables were carried at fair value at the reporting date as required by GRAP 104, *Financial instruments* as these receivables were not discounted to a net present value. In addition, differences have been identified in the recalculation of the impairment provision and the amount of debtors past due and not yet impaired has not been disclosed. I was unable to quantify the resultant misstatement of the trade receivables from exchange transactions of R10 951 163 disclosed in note 5 to the financial statements as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the year and the accumulated surplus.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for trade payables as the municipality did not have adequate systems to maintain records to support financial information relating to trade payables. I was unable to confirm trade payables by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade payables of R126 258 433 included in payables from exchange transactions disclosed in note 12 to the financial statements, was necessary.

Value added tax payable

8. I was unable to obtain sufficient appropriate audit evidence for the value added tax payable as the municipality did not have adequate systems in place to perform reconciliations and ensure complete and accurate recording thereof. I was unable to confirm the value added tax payable by alternative means. Consequently, I was unable to determine whether any adjustment relating to the value added tax payable of R21 251 436 disclosed in note 13 to the financial statements, was necessary.

Service charges

9. I was unable to obtain sufficient appropriate audit evidence for revenue from service charges as the municipality did not have adequate systems to maintain records to support financial information relating to service charges. I was unable to confirm these service charges by alternative means. In addition, the municipality did not correctly charge consumers for service charges in accordance with the approved rates, resulting in service charges and trade receivables from exchange transactions being overstated by R489 301. Consequently, I was unable to determine whether any further adjustments relating to service charges of R64 195 690 disclosed in note 18 to the financial statements were necessary. Additionally, there was a resultant impact on the deficit for the year and the accumulated surplus.

Irregular expenditure

10. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments in contravention with the supply chain management requirements which was not disclosed as irregular expenditure and value added tax was also incorrectly included in the irregular expenditure disclosed. Consequently, as the municipality was unable to quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant misstatement of irregular expenditure of R311 280 037 (2018: R245 558 974) disclosed in note 43 to the financial statements.

Context for the opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

12. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

15. I draw attention to note 40 to the financial statements, which indicates that the municipality incurred a deficit of R45 507 945 during the year ended 30 June 2019 and, as of that date the municipality's current liabilities exceeded its current assets by R188 685 840. As stated in note 40, these events or conditions, along with other matters set forth in note 40, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

16. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unauthorised and fruitless and wasteful expenditure

17. As disclosed in note 47 to the financial statements, unauthorised expenditure of R101 922 948 was incurred in the current year and the unauthorised expenditure of R296 659 056 in respect of prior years have not yet been dealt with in accordance with section 32 of the MFMA.

18. As disclosed in note 42 to the financial statements, fruitless and wasteful expenditure of R11 198 321 was incurred in the current year and fruitless and wasteful expenditure of R36 098 762 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Material losses - electricity

19. As disclosed in note 44 to the financial statements, material electricity distribution losses of R12 790 355 (2018: R13 089 144) were incurred due to heat dissipation when electricity flows through conductors, illegal connections, meter tampering and incorrect metering.



Other matter

20. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

21. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

22. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

23. In preparing the financial statements, the accounting officer is responsible for assessing the Tswaing Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

24. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

25. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.

27. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objectives	Pages in the annual performance report
Objective – Basic services: Community services department	X – X



Objectives	Pages in the annual performance report
Objective – Basic services: Technical services	X – X

Objective – Basic services: Community services department

Various objectives

28. The strategic objectives approved in the service delivery and budget implementation plan (SDBIP) were not consistent with the objectives reported in the annual performance report (APR) and the changes were not approved:

Planned strategic objectives per the SDBIP	Reported strategic objectives per APR
Facilitate the provision of community infrastructure	Parks
Provision of public safety	Public safety
Compliance with Road Traffic Act	Road Traffic Act
Not indicated	Provision of refuse removal
Municipal health services in terms of waste management	Not indicated
Facilitate provision of human settlement	Human Settlement

Various indicators

29. The indicators approved in the SDBIP were not consistent with the indicators reported in the APR and the changes were made without the necessary approval. In addition, I was unable to obtain sufficient appropriate audit evidence to support the reported achievements and the measures taken to improve performance of these indicators. This was due to inadequate technical indicator descriptions, proper performance management systems and processes and documented system descriptions that predetermined how the achievement would be measured, monitored and reported, which placed a limitation on the scope of my audit. I was unable to confirm the reported achievements and measures taken to improve performance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the measures taken to improve performance. Furthermore, a comparison between the performance of the year under review and the previous year was not included in the APR.

Planned indicator per the SDBIP	Reported indicator per APR	Reported achievement	Measures taken to improve performance
Number of cemeteries developed	Number of cemeteries maintained	Achieved	None
Number of community parks maintained	Number of community parks developed	Not achieved	Explore usage of EPWP

Various indicators

30. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to a lack of documented system descriptions and the existence of systems and processes that validate and enable reliable reporting of actual service delivery against these indicators. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments to the achievements listed below were required. In addition, a comparison between the actual performance for the year under review and the previous year was not included in the APR.

Key performance indicator	Annual target	Reported achievement
Number of identified faded road markings and signs painted and replaced	90	Achieved
Number of households to be provided with refuse removal services	10159	Achieved
Number of hectares of municipal land released for human settlements development	6	Achieved

Various indicators

31. I was unable to obtain sufficient appropriate audit evidence for the reported achievements and the measures taken to improve performance of the indicators listed below. This was due to a lack of documented system descriptions and the existence of systems and processes that validate and enable reliable reporting of actual service delivery against the indicators, which placed a limitation on the scope of my audit. I was unable to confirm the reported achievement and the measures taken to improve performance by alternative means. Consequently, I was unable to determine whether any adjustments to the achievements and measures taken to improve performance listed below were required. In addition, a comparison between the actual performance of the year under review and previous year was not included in the APR.

Key performance indicator	Annual target	Reported achievement	Measures taken to improve performance
Number of trees planted	50	Not Achieved	Explore usage of EPWP and CWP
Number of environmental campaigns implemented	4	Not achieved	Alignment of schedules campaigns with the District and province

Number of households to be provided with solid waste removal services

32. The indicator which was approved in the SDBIP with a target of "10 159" was omitted in the APR. In addition, this indicator was not well defined to predetermine how the achievement would be measured, monitored and reported. This was due to inadequate technical indicator descriptions, proper performance management systems and processes and documented system descriptions.

% of motor vehicle licence renewed

33. I was unable to obtain sufficient appropriate audit evidence for the reported achievement. This was due to the indicator not having a clear unambiguous definition, not being specific and not clearly defining the predetermined source information and method of collection to be used when measuring the actual achievement for the indicator. There was also no systems and processes that enabled reliable reporting of actual service delivery against the indicator. This was due to a lack of documented system descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to confirm whether any adjustment to the achievement of "Achieved" as reported in the APR was necessary.

Number of informal settlements formalised

34. A comparison between the actual performance of the year under review and previous year was not included in the APR for this indicator.

Objective – Basic services: Technical services

Various objectives

35. The strategic objectives approved in the SDBIP were not consistent with the objectives reported in the APR and the changes were not approved:

Planned strategic objectives per the SDBIP	Reported strategic objectives per APR
Provision of internal roads and storm water	Project management unit
Provision of sports facility	Project management unit
Provision of roads maintenance	Project management unit
Maintenance water infrastructure	Maintain sanitation network
Maintained waste water network & treatment plants	Maintain sanitation network
To provide electricity	Electricity
Maintained electricity infrastructure for continuous, safe and uninterrupted power supply	Electricity
Replacement of broken poles on electrical network	Electricity
Provision of street lighting	Electricity infrastructure

Various indicators

36. Indicators and targets approved in the SDBIP were not consistent with the indicators and targets reported in the APR and the changes were made without the necessary approval. In addition, I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance as reported in the APR. This was due to limitations placed on the scope of my audit. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments to the reported measures taken to improve performance, were required. Furthermore, the comparison between the performance of the year under review and the previous year were not included in the APR:

Planned indicator per the SDBIP	Planned target per the SDBIP	Reported indicator per APR	Reported target per APR	Reported achievement	Measures taken to improve performance
Number of KM of roads and storm water to be constructed	1KM of internal roads and storm water upgraded from gravel to segmented paving block in Shaleng by June 2019	Number of KM of internal roads and storm water to be constructed in Shaleng	1.5KMs of internal roads and storm water upgraded from gravel to segmented paving block in Shaleng by June 2019	Not achieved, only 1st, 2nd and 3rd achieved	Deferred to the next financial year in order to avoid blocked project/backlog
The number of km of roads and storm water to be constructed	Refurbishment of Agisanang/Philindaba taxi road constructed by June 2019	Number of KM of internal roads and storm water to be constructed in Agisanang/Philindaba	1.5KM of internal road and storm water upgraded from gravel to segmented paving blocks in Philindaba/Agisanang taxi road by June 2019	Not achieved, only 1st, 2nd and 3rd achieved	Deferred to the next financial year in order to avoid blocked project/backlog

Various indicators

37. I was unable to obtain sufficient appropriate audit evidence for the reported achievements for the indicators listed below. This was due to the indicators not being clearly defined and a lack of systems and processes that validate and enable reliable reporting of actual service delivery against these indicators. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments to the achievements reported in the annual performance report were required. In addition, a comparison between the actual performance for the year under review and the previous year was not included in the APR.

Key performance indicator	Annual target	Reported achievement
% of water network & pumps maintained	50% of water infrastructure maintained by June 2019	Achieved
% of waste water network treatment plants maintained	100% maintained waste water network and treatment plants by June 2019	Achieved
% of maintenance of underground cables and overhead lines networks	60% of overhead and underground infrastructure maintained by June 2019	Achieved
% of maintained & repaired number of vehicles	40%	Achieved

Various indicators:

38. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance reported in the APR for the indicators listed below,. This was due limitations placed on the scope of my audit. I was unable to confirm the reported measures taken to improve performance by alternative means. Consequently, I was unable to determine whether any adjustments to the reported measures taken to improve performance were required. In addition, the comparison between the performance for the year under review and the previous year were not included in the APR.

Key performance indicator	Annual target	Reported achievement	Measures taken to improve performance
Number of KM of internal roads and storm water to be constructed in Letsopa	1.5KMs of internal roads and storm water upgraded from gravel to segmented paving block in Letsopa by June 2019	Not achieved, only 1st, 2nd and 3rd achieved	Deferred to the next financial year in order to avoid blocked project/backlog
Number of sportsgrounds built and upgraded	Refurbishment of Agisanang/Philindaba sports ground constructed by June 2019	Not achieved, only 1st, 2nd and 3rd achieved	Deferred to the next financial year in order to avoid blocked project/backlog
Number of KM of internal roads and storm water to be constructed in Khunwana	1.5KMs of internal roads and storm water upgraded from gravel to segmented paving block in Khunwana by June 2019	Not achieved, only 1st, 2nd and 3rd achieved	To be implemented on the next financial year (2019/2020)

Key performance indicator	Annual target	Reported achievement	Measures taken to improve performance
Number km of roads to be maintained	10KM of roads to be maintained by the end of June 2019	Not achieved	Purchasing tools and equipment's an appointment of general workers
Number of households connected to sewer network as per received application	25 household connected to sewer network by June 2019	Not achieved	Encourage owner to apply or request.
Number of broken poles replaced	100 Electrical wooden poles replaced by June 2019	Not achieved	Engage with finance to avail funds and pay invoices

Various indicators

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to limitations placed on the scope of my audit. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments to the achievements reported in the APR were required. In addition, a comparison between the actual performance for the year under review and previous year was not included in the APR.

Key performance indicator	Annual target	Reported achievement
Number of households connected to water network as per received application	25 household connected to water network as per receive application by June 2019	Achieved
Number of households with electricity connections as per received application	25 connected to the grid by June 2019	Achieved

% regular maintenance of street lights

40. The approved target for this indicator was “100% regular maintenance of street lights by June 2019” as per the SDBIP, but the target included in the APR was “20%”. In addition, I was unable to obtain sufficient appropriate audit evidence for the reported achievement. This was due to the indicator not being clearly defined and a lack of systems and processes that validate and enable reliable reporting of actual service delivery against the indicator. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustment to the reported achievement of “achieved” was required. Furthermore, a comparison between the actual performance for the year under review and the previous year was not included in the APR.

Other matters

41. I draw attention to the matters below.

Achievement of planned targets

42. Refer to the annual performance report on page(s) x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 28 to 40 of this report.

Report on the audit of compliance with legislation

Introduction and scope

43. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
44. The material findings on compliance with specific matters in key legislation are as follows:

Strategic planning and performance management

45. The integrated development plan (IDP) did not include a financial plan as required by section 26(h) of the the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and regulation 2(3)(a) of the Municipal Planning and Performance Management Regulations.

Annual report and financial statements

46. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided for audit, resulted in the financial statements receiving a qualified audit opinion.
47. The financial statements were not submitted to the Auditor-General for auditing, within two months after the end of the financial year as required by section 126(1)(a) of the MFMA.
48. The council failed to adopt an oversight report containing the council's comments on the annual report within 9 months after the financial year end, as required by section 129(1) of the MFMA.

Expenditure management

49. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
50. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the SCM regulations.
51. Reasonable steps were not taken to prevent unauthorised expenditure disclosed in note 46 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by expenditure incurred above the approved budget amounts, but also included unauthorised expenditure of R765 523 incurred on the Vrischgewaagd internal roads key project.
52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure disclosed in note 41 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest on late payments and penalties on contract cancellations.

Procurement and contract management

53. Some of the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.

54. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
55. Some of the contracts were awarded through a competitive bidding processes that were not adjudicated by the bid adjudication committee in contravention with SCM regulation 29(1). Similar non-compliance was also reported in the prior year.
56. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). This non-compliance was identified in the procurement processes for the key projects for the Agisanang/Phelindaba Internal Road1 and for the Shaleng Internal Road.
57. The preference point system was not applied in the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
58. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key project of the Shaleng Internal Road.
59. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year.

Consequence management

60. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32 of the MFMA.

Liability management

61. A bank overdraft incurred by the municipality without a resolution of the municipal council approving the debt agreement, in contravention of section 45(2)(a) of the MFMA.

Human resource management

62. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.

Other information

63. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
64. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
65. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
66. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required

to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

67. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

- Leadership did not provide adequate oversight and monitoring of the control environment, financial performance, implementation of consequence management over recurring SCM transgressions and the implementation of the post audit action plan. This resulted in the poor financial viability and recurrence of material findings over financial and performance information and compliance with laws and regulations.
- Management did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. Furthermore, management did not adequately review and monitor compliance with applicable legislation. The municipality did not have the requisite skills and capacity required to implement the policies and procedures and are reliant on consultants to prepare financial statements.
- The required risk assessment relating to financial and performance reporting and compliance with legislation was not done. There were also no appropriate governance structures at the municipality, as an audit committee and internal audit unit were still not appointed during the year under review.

Auditor-General.

Rustenburg

05 December 2019



Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

